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RUEHFK/AMCONSUL FUKUOKA 3383  
RUEHNAG/AMCONSUL NAGOYA 1080  
RUEHNH/AMCONSUL NAHA 5728  
RUEHGH/AMCONSUL SHANGHAI 0569  
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SUBJECT: MIC MINISTER REPRIMANDS JAPAN POST MANAGEMENT

REF: A. TOKYO 706  
[1](#)B. TOKYO 555

Sensitive But Unclassified. Contains Proprietary Information.

#### Summary -----

[1](#)1. (SBU) Internal Affairs and Communications (MIC) Minister Hatoyama gave a business improvement order April 3 to Japan Post Holdings Company, Ltd. (JPH), according to Japanese media. The order mandates that JPH improve the process by which it spins off its assets, a process Hatoyama criticized after details emerged about JPH's proposed sale of a chain of hotels. Other Japanese, however, disagree. A U.S. industry representative told econoff Hatoyama's action is one more example of the politicization of the postal privatization process. End summary.

#### Controversy Over Hotel Chain Sale -----

[1](#)2. (U) Internal Affairs and Communications Minister Kunio Hatoyama gave a business improvement order April 3 to JPH President Yoshifumi Nishikawa, according to media reports. The order mandates JPH improve the process by which it spins off its assets and requires JPH to submit a set of proposed remedial measures by the end of June.

[1](#)3. (U) Minister Hatoyama has criticized JPH's efforts to sell "Kampo no Yado," a chain of 70 hotels that were built to cater to holders of postal life insurance. Under the postal privatization laws passed in 2005, JPH is required to sell off the hotel chain by September 2012. After JPH concluded a contract to sell "Kampo no Yado" with the Orix Real Estate Corporation in late 2008, however, Hatoyama publicly accused JPH of improper bidding practices and engaging in a "fire sale." Orix had offered 10.9 billion yen for the chain, but it reportedly had cost 240 billion yen to construct the properties.

[1](#)4. (U) Defenders of the sale, including the Nikkei editorial board, point out more than twenty companies participated in the bidding process and that Orix offered several billion yen more for the chain than the next-highest bidder. They also

note 59 of the 70 hotels lose money (reportedly about 4 billion yen per year) and will require significant work and investment to turn around. Hatoyama, however, characterized the sale as non-transparent, telling the press it "may be seen as a race whose result has already been decided," given Orix Chairman Yoshihiko Miyauchi's advisory role in the government. The Minister ordered JPH to report the details of the bidding process to MIC, which it did in February.

#### Another Intervention

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¶5. (SBU) On March 30, four days prior to the business improvement order, Minister Hatoyama suggested to the press he might not sign JPH's FY2009 business implementation plan due to his management concerns. He quickly reconsidered and signed the plan the next day, reportedly after learning JPH would have no legal authority to operate if its plan was not signed by April 1, the start of Japan's fiscal year. He attached conditions to his approval, according to media reports, including instructing JPH to come up with a plan to turn "Kampo no Yado" into a profitable business.

¶6. (SBU) Discussing both Minister Hatoyama's threat not to sign JPH's implementation plan and the subsequent business improvement order, a U.S. insurance industry representative told econoff April 3 the Minister's actions further show the politicization of the postal privatization process (refs).

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